

THIS LEASE OF RAILROAD EQUIPMENT, dated *AUGUST 13, 1973*, between GENERAL ELECTRIC CREDIT CORPORATION, ("Lessor"), and GEORGE P. BAKER, RICHARD C. BOND, and JERVIS LANGDON, JR., jointly in their capacities as Trustees, and not individually, of the property of PENN CENTRAL TRANSPORTATION COMPANY, Debtor (the "Railroad"), and the successors of said Trustees, or any of them ("Lessees");

W I T N E S S E T H

WHEREAS, the Lessees have been duly appointed Trustees of the property of the Railroad by an order of the United States District Court for the Eastern District of Pennsylvania (the "Court") in a proceeding under Section 77 of the Bankruptcy Act entitled "In the Matter of Penn Central Transportation Company, Debtor No. 70-347", and said appointment has been duly ratified by an order of the Interstate Commerce Commission, and Lessees have duly qualified as such Trustees and are now in possession of and operating the property of the Railroad pursuant to the provisions and directions contained in orders of the Court; and

WHEREAS, the Lessees desire (a) to have built in accordance with specifications approved by Lessees (the "Specifications") certain items of rolling stock more specifically described in Annex A attached hereto (hereinafter collectively called "Equipment" or the "Units" or separately a "Unit") and (b) to lease all of the Units or such lesser number thereof as are delivered and accepted in accordance with the provisions hereof; and

WHEREAS, by an order of the Court dated July 24, 1973 Lessees were duly authorized (a) to execute and deliver this Lease, (b) to issue a purchase order for the Equipment to General Electric Company (the "Builder") which purchase order, upon assignment to Lessor will release Lessees from Lessees' obligations for the payment price of the Equipment, (c) to execute and deliver to Lessor a purchase order assignment and (d) to carry out the covenants and agreements on their part herein contained; and

WHEREAS, subject to the provisions hereof, Lessor is willing to (a) take by assignment Lessees' interest under the purchase order issued for the Equipment (b) purchase the Units from the Builder and (c) upon such purchase, to lease the Equipment to Lessees in accordance with the provisions of this Lease.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by Lessees, Lessor hereby leases the Units to Lessees upon the following terms and conditions:

7141

RECORDATION NO. _____ Filed & Recorded

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INTERSTATE COMMERCE COMMISSION

SECTION 1. Definitions. The terms defined and referred to in this Section (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Lease and any supplement hereto shall have the respective meanings specified in this Section.

The following terms shall have the meanings specified or indicated in the recitals hereto:

Builder
Court
Equipment
Railroad
Specifications
Units

"Appraiser" shall mean an independent appraiser mutually agreed upon by Lessor and Lessees, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by Lessor, the second by Lessees and the third designated by the first two so selected.

"Business Day" shall mean any day other than a Sunday or Saturday or any other day on which banking institutions in the City of New York are authorized by law to be closed.

"Certificate of Acceptance" shall mean a written certificate in the form set forth in Annex B attached hereto, pursuant to which Lessees accept delivery of a Unit or Units of Equipment from the Lessor for purposes of this Lease.

"Date of Acceptance" shall when used with respect to any Unit, mean the date on which the Certificate of Acceptance covering such Unit is executed by and between Lessor and Lessees.

"Event of Default" shall mean one of the Events of Default specified in Section 12 hereof.

"Fair Market Value" shall mean at any time for the determination thereof an amount payable in a lump sum in cash which is determined on the basis of, and equal to, the value which would obtain in an arm's length transaction between an informed and willing buyer-user (other than (i) a lessee then in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of then current use shall not be a deduction from such value.

"Fair Rental Value" shall mean at any time after the Original Term requiring the determination thereof an amount payable quarterly as rental which is determined on the basis of, and equal to, the value which would obtain in an arm's length transaction between an informed and willing lessee-user (other than a lessee-user then in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of then current use shall not be a deduction from such value.

"Lease" shall mean this instrument and any and all supplements hereto.

"Lessees" shall have the meaning specified in Section 14 hereof.

"Lessor" shall mean Lessor or any successor to it by merger, consolidation or other disposition of all or a substantial part of its assets, other than as assignee of the rights, benefits and advantages of Lessor hereunder pursuant to Section 14 hereof.

"Original Term" shall, where used with respect to any unit, mean the period of time commencing on the Date of Acceptance of such unit, and ending on the date one day prior to the 15th anniversary of such Date of Acceptance.

"Quarterly Rental Period" with respect to any unit shall mean

(a) the three-month period commencing on the date of acceptance of such unit and ending on a date three months less one day thereafter, and

(b) each three-month period following consecutively thereafter during the Lease.

"Railroad's Road Number" shall mean, as to any Unit, the road number set forth in Annex A hereto with respect thereto, as said Annex A may, from time to time, be revised in accordance with the provisions hereof.

"Reorganized Company" shall mean any corporation (which may be the Railroad), partnership, trust, unincorporated organization or government or governmental agency or political sub-division thereof which acquires a substantial part of the lines of railroad comprising the Railroad's estate pursuant to an Order of the Court authorizing or directing such an acquisition and thereafter shall include any successor which shall have become such in compliance with Subsection 14(c) hereof.

"Representative" shall mean any person designated by the Lessor or the Lessees, as the case may be, pursuant to Section 2 hereof as being a person authorized at the particular time to execute and deliver documents, instruments or notices (including, without limitation, Certificates of Acceptance) under this Lease on behalf of Lessor or Lessees, as the case may be.

"Stipulated Loss Value" of any Unit shall mean an amount, calculated as of the time for determination thereof in accordance with the provisions of Section 10 hereof, which shall be the product of an amount derived by multiplying the percentage shown in the column headed "Stipulated Loss Values" on Annex C attached hereto by the sum of (a) original cost of such Unit paid by Lessor and (b) the salvage or scrap value of such Unit.

"Stipulated Termination Value" of any Unit shall mean the amount, calculated as of the time for determination thereof in accordance with the provisions of Section 12 hereof, derived by multiplying the percentage shown in the column headed "Stipulated Termination Values" on Annex C attached hereto by the original cost of such Unit paid by Lessor.

SECTION 2. Delivery and Acceptance of Units. During the construction of each Unit, Lessees will cause the materials and other components which are to be incorporated in, and the construction of, such Unit to be inspected by their authorized representative at Builder's plant. Promptly after completion of construction thereof, Builder will tender such Unit to Lessees at said plant or another location mutually acceptable to Lessor, Lessees and Builder. Upon such tender, Lessees will forthwith cause such Unit to be further inspected by their authorized Representative and, if such Unit complies fully with the Specifications and is in good order and ready for service, Lessor and Lessees will cause a Certificate of Acceptance with respect to such Unit (or group of Units) to be duly executed and delivered, whereupon such Unit (or Units) shall conclusively be deemed to have been delivered to and accepted by Lessees and shall be subject thereafter to the terms and conditions of this Lease; provided, however, that no such Certificate of Acceptance shall diminish or affect the obligations of Builder under any warranty of Builder.

Lessor and Lessees agree that, so long as this Lease shall remain in effect with respect to any Unit, they will furnish to each other a certificate setting forth the names and specimen signatures of the Representatives respectively authorized to execute and deliver any documents, instruments or notices (including, without limitation, Certificates of Acceptance) under this Lease on its or their behalf. Each party furnish such a certificate agrees that the other party may conclusively rely on each such certificate until replaced by a superseding certificate.

At all times during the continuance of this Lease, title to the Units shall be vested in Lessor to the exclusion of Lessees, and any rights of Lessees in respect of the Units (including possession thereof) shall constitute a leasehold interest only.

This Lease shall not be effective as to any Units of Equipment not delivered and accepted on or before December 31, 1973 (the "Cut Off Date"), unless otherwise agreed in writing by Lessor and Lessees.

On and after the Date of Acceptance of any Unit, Lessees shall bear the entire risk of loss of, or damage, whether in whole or in part, to, such Unit from any cause whatsoever, and any such loss or damage shall not relieve Lessees from any of their obligations under this Lease.

SECTION 3. Term of the Lease. The term of this Lease as to any Unit shall be the Original Term plus any extensions pursuant to the next two succeeding paragraphs of this Section 3.

Unless an Event of Default under Section 12 hereof shall have occurred and be continuing, Lessees shall have the right and option with respect to all (but not less than all) of the Units then subject to this Lease, by written notice given to Lessor not less than ninety (90) days prior to the expiration date of the Original Term for the first Unit accepted under this Lease to extend, subject to the provisions of Section 10 hereof, the term of this Lease with respect to all such Units, for an additional five-year period (First Extended Term), which period shall as to each Unit commence the day following the expiration of the Original Term of such Unit, such expiration date of the First Extended Term of any Unit being hereinafter called the "First Extended Term Terminal Day."

Unless an Event of Default under Section 12 hereof shall have occurred and be continuing, Lessees shall have the further right and option with respect to all (but not less than all) of the Units then subject to this Lease, by written notices given to Lessor not less than ninety (90) days prior to the First Extended Term Terminal Date for any Unit to extend, subject to Section 10 hereof, the term of this Lease with respect to all such Units then subject to this Lease for an additional five-year period (Second Extended Term) which period shall as to each Unit commence the day following the expiration of the First Extended Term of such Unit.

From and after the date of execution by Lessor and Lessees (or by such Lessees' designees on behalf of all of the Lessees) until the expiration of the Lease Term, this Lease shall not be subject to termination by Lessor except pursuant to Section 12 hereof upon the occurrence of an Event of Default, or by Lessees except pursuant to Section 10 hereof and except for such Units as to which there has been an adjudication by the Court that

that Lessees have been deprived of quiet possession in accordance with Section 13 hereof and then only for the period(s) of time when such quiet possession shall have been disrupted.

SECTION 4. Rentals. Except as otherwise provided in Sections 10 and 12 hereof, Lessees agree to pay to Lessor on the last day of each Quarterly Rental Period occurring during the Original Term as to each Unit, in immediately available funds, a rental payment for each such Unit subject to this Lease equal to the product of (i) a lease rate factor of 2.96452% and (ii) the cost of such Unit.

In the event that Lessees exercise their right and option to extend the term of this Lease in accordance with Section 3 hereof, Lessees agree to pay Lessor, in immediately available funds, during the First Extended Term and Second Extended Term (if such Second Extended Term should be elected by Lessees) as rent, a quarterly increment of Fair Rental Value for each of such Units then subject to this Lease. Rentals payable during the First Extended Term shall be payable quarterly in arrears. The first such quarterly installment shall be payable on a date three months less one day after the expiration of the Original Term of this Lease. Subsequent quarterly rental payments shall be made at regular and consecutive quarter-annual periods during the First Extended Term. Rentals payable during the Second Extended Term shall be payable quarterly in arrears. The first such quarterly installment shall be payable on a date three months less one day after the expiration of the First Extended Term. Subsequent quarterly rental payments shall be made at regular and consecutive quarter-annual periods during the Second Extended Term.

Lessees will pay to the extent not prohibited by law, interest upon the rentals, damages, or other payments (including payments under Sections 10 and 12 hereof) remaining unpaid after the same shall have become due and payable under any of the provisions of this Lease at ten per cent (10%) per annum during the period that such rentals, damages or other payments continue to be due and payable and remain unpaid.

Lessees agree that all payments to be made to Lessor hereunder (whether constituting rentals, damages or other payments) will be made in immediately available funds as and when payable, net and free of any setoff, counterclaim or other defense at the office of Lessor at Post Office Box 81 (North Station), White Plains, New York 10603, or at such other place or places as shall be directed in writing by Lessor and any payment so made shall be final and not subject to any recovery or recoupment whatsoever.

SECTION 5. Covenants, Representations, Warranties and Appointment:

(a) Lessees represent and warrant that:

(i) Lessees have been duly appointed as Trustees of the property of the Railroad by an order of the Court and are currently acting as such; such appointment has been duly ratified by an order of the Interstate Commerce Commission; and said Lessees are duly vested with the title to the properties of the Railroad and have the power and authority to carry on its business.

(ii) The execution and delivery of this Lease by Lessees and their assumption and undertaking of the obligations, duties and liabilities hereof have been duly authorized by an order of the Court; and this Lease is legal, valid, binding and enforceable against Lessees in accordance with its terms.

(iii) The rights of Lessor as herein set forth and the title of Lessor to the Units are free and clear of the lien, charge or security interest created by any mortgage, security agreement or other instrument binding upon the Railroad or Lessees except this Lease.

(iv) Except for the authorization by the Court of the execution and delivery of this Lease by Lessees, no governmental authorizations, approvals or exemptions are required by Lessees for the execution and delivery of this Lease or for the validity and enforceability hereof or for the leasing of the Units hereunder for the rentals and on the other terms and conditions herein provided; or, if any such authorizations are required, they have been obtained, have been validly granted, are adequate and in full force and effect on the date hereof and, if any such authorizations shall hereafter be required, they will be promptly obtained.

(v) No litigation or administrative proceedings are pending or, to the knowledge of Lessees, are threatened against Lessees, the adverse determination of which would affect the validity of this Lease or the rights of Lessor to enforce the provisions hereof.

(vi) Obligations to make rental and other payments under this Lease will constitute expenses of administration of Lessees, payable on a parity with other equipment obligations theretofore or thereafter assumed or incurred by Lessees; and, upon occurrence of an Event of Default under this Lease, any claim for damages will constitute an expense of administration.

(b) So long as no Event of Default has occurred and is continuing, Lessor hereby irrevocably appoints and constitutes Lessees as its agent and attorney-in-fact during the term of the Lease to assert and enforce from time to time,

in the name and for the account of Lessor, Lessees or both of them as their interest may appear, whatever claims and rights the Lessor may have against Builder with respect to the Units subject to this Lease or against the manufacturer of any component part of such Units. Lessor agrees to enter into such agreements with Builder and Lessees as Lessees may reasonably request whereby Builder affords to Lessor and Lessee with respect to the Units warranties of material and workmanship, compliance with Specifications and indemnification against patent infringement.

SECTION 6. Opinions of Counsel.

(a) Promptly after the execution of this Lease, Lessees will deliver to Lessor a written opinion of Robert W. Blanchette, counsel for Lessees, or an attorney designated by him, satisfactory to Lessor in scope and substance satisfactory to Lessor and its counsel, to the effect that:

(i) this Lease has been duly authorized, executed and delivered by the Lessee and constitutes a valid, legal and binding agreement of the Lessees, enforceable in accordance with its terms;

(ii) except for the Order of Court referred to in the third WHEREAS clause of this Lease, no approval is required from any public regulatory or judicial body with respect to the entering into or performance of this Lease;

(iii) the entering into and performance of this Lease will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessees are a party or by which they may be bound; and

(iv) no mortgage, deed of trust, or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect, any property or interests therein of the Lessees, now attaches or hereafter will attach to the Units or in any manner affects or will affect Lessor's right, title and interest, therein; provided, however, that such liens may attach to the rights of Lessees hereunder in and to the Units; and

(v) this Lease has been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and has been duly deposited with the Registrar General of Canada in accordance with Section 86 of the Railway Act of Canada (and the Lessees have caused or have made appropriate provision to cause notice of such deposit to be duly given promptly after such deposit in the Canada Gazette pursuant to Section 86); and such filing, recording and deposit will protect

the Lessor's interests in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state or local government is necessary in order to protect the interest of the Lessor in and to the Units;

(b) On each date on which the Lessor is required to pay Builder pursuant to the purchase documents, the purchase price or prices for any of the Units, Lessee will deliver to Lessor written opinion of counsel, in scope and of substance satisfactory to Lessor and its counsel, to the effect that, the matters stated in paragraph (a) of this Section 6 are true and correct on each such date of payment.

SECTION 7. Identification of Units: Numbering. Upon or before the delivery to Lessees of any Units under this Lease, Lessees will cause Builder, plainly, distinctly, permanently and conspicuously to place or fasten upon each side of such Unit a legend bearing the following words in letters not less than one inch in height:

General Electric Credit Corporation (New York, New York) Owner and Lessor.

In case, during the continuance of this Lease, any such legend shall at any time be painted over or otherwise made inconspicuous, removed, defaced or destroyed on any Unit, Lessees shall immediately cause the same to be restored or replaced. Lessees will not allow the name of any person, association or corporation to be placed on any of the Units as a designation which might be interpreted as indicating a claim of ownership thereof by any person, association or corporation other than Lessor or its assignee; but the Units may be lettered with the names or initials or other insignia customarily used by Lessees on equipment of the same or a similar type for convenience of identification of the right to use and operate the Units under this Lease.

On or prior to the time of delivery of each Unit to Lessees, Lessees will cause Builder to place on each side of such Unit the Railroad's Road Number specified in Annex A attached hereto. At all times thereafter, during the continuance of this Lease, Lessees will cause each Unit to bear the number so assigned to it, and Lessees will not change or permit to be changed the number of any Unit except in accordance with a statement of new numbers to be substituted therefor which previously shall have been filed with Lessor by Lessees and filed, recorded or deposited in all public offices where this Lease is required to be, and has been filed, recorded or deposited.

SECTION 8. Taxes. Lessees agree that, during the continuance of this Lease, in addition to the rentals herein provided, Lessees will promptly pay all taxes, assessments and other governmental charges levied or assessed upon or in respect of the Units or any thereof or upon the use or operation thereof or Lessees' earnings arising therefrom, if and to the extent that any such taxes, assessments or other governmental charges may give rise to any lien upon any of the Units or may become a claim entitled to priority over any of the rights of Lessor in and to such Units, and as additional rental will promptly pay or reimburse Lessor for all taxes, assessments and other governmental charges levied or assessed against Lessor or any successor in title of Lessor on account of ownership of the Units or any thereof or on account of the use or operation thereof or on account of the earnings arising therefrom (exclusive, however, of any tax in the nature of a net income tax on the rentals herein provided), including any sales, use or similar taxes payable on account of the sale or delivery of the Units or the leasing of the Units hereunder; but Lessees shall not be required to pay the same so long as they shall in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof unless thereby, in the judgment of Lessor, the rights or interest of Lessor will be materially endangered, nor shall Lessees be required to make any tax payment which is deferred by order of a court having jurisdiction provided that such deferment shall not subject the title and interest of Lessor in and to the Units to any lien or encumbrance. In the event any tax reports are required to be made on the basis of individual Units, Lessees will either make such reports in such manner as to show the ownership of such Units by Lessor or will notify Lessor of such requirements and will make such report in such manner as shall be satisfactory to Lessor.

SECTION 9. Maintenance, Liens and Insurance.

(a) LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, IN RESPECT OF THE UNITS, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO THE MERCHANTABILITY, FITNESS, DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO LESSEES HEREUNDER, IT BEING AGREED THAT ALL SUCH RISKS AS BETWEEN LESSOR AND LESSEES, ARE TO BE BORNE BY LESSEES.

(b) Lessees agree, during the continuance of this Lease, at Lessees' own cost and expense to maintain and keep all of the Units; (i) in good order and repair, reasonable wear and tear excepted, in accordance with standards

prescribed by Builder in its applicable service manuals (if any) and maintenance instructions (if any) covering the respective Units with any replacement parts or components to be in accordance with the Specifications or of equivalent or superior utility, and (ii) acceptable for participation in the interchange of equipment in accordance with the Rules of the Association of the American Railroads.

(c) Except for alterations or changes required by law, Lessees shall not, without the prior written approval of Lessor, effect any change in the design, construction or body of the Units; provided, however, that Lessees may effect changes in the appurtenances or equipment installed in any Unit at Lessees' cost so long as no such change adversely affects such Unit's serviceability or fitness for participation in the interchange of equipment in accordance with the Rules of the Association of American Railroads.

(d) Any parts installed or replacements made by Lessees upon any Unit shall be considered accessions to such Unit and title thereto shall be immediately vested in Lessor, without cost or expense to Lessor except that this provision shall not apply to special equipment installed on or in any Unit by Lessees if the cost thereof is not included in the price of such Unit on the basis of which the rentals of such Unit have been computed and if such equipment is removed by Lessees before the Units are returned to Lessor and all damage resulting from such installation and removal is repaired by Lessees and removal of such equipment does not affect the Unit's serviceability or its fitness for participation in the interchange of equipment in accordance with the Rules of the Association of American Railroads.

(e) Lessees shall pay or satisfy and discharge any and all sums claimed by any person against Lessees which, if unpaid, might become a lien or a charge upon the Units or entitled to priority over any of the rights of Lessor in and to the Units, but Lessees shall not be required to discharge any such claim so long as they shall in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which, in the opinion of Lessor, will not affect or endanger the title and interest of Lessor in and to the Units.

(f) Lessees shall, at their own cost and expense, insure each Unit from the time of delivery and acceptance thereof and at all times thereafter until Lessees' obligations under this Lease with respect to such Unit have been discharged, against loss, damage or destruction thereof caused by fire, lightning, wreck, derailment, collision, flood, tornado, cyclone, sabotage, riot or civil commotion, such insurance, in the case

of each Unit, to be in an amount reasonably satisfactory to Lessor, except that such coverage may be limited so that no loss amounting to less than \$25,000 on each Unit shall be payable. All such insurance shall be written for the benefit of Lessor and Lessees as their respective interests may appear, with an insurance company or companies satisfactory to Lessor. Such policy or policies shall insure the respective interests of Lessor and Lessees in the Units and shall provide that the proceeds of such insurance shall be payable to Lessor. All insurance proceeds received by Lessor with respect to any Unit shall:

(i) so long as no default under Section 12 hereof shall have occurred and be continuing, be paid over to Lessees, in the case of repairable damage to such Unit, upon receipt by Lessor from Lessees of proof in duplicate satisfactory to Lessor of the proper repair of such damage; or

(ii) be applied by Lessor, in the case of the loss, destruction or damage beyond repair of such Unit, towards the satisfaction of Lessees' obligation to make the payment or payments required by Section 10 hereof.

In addition to the foregoing insurance requirements relating to the Units, Lessees will provide Lessor with liability insurance as more specifically set forth in Section 11 hereof.

SECTION 10. Loss, Theft, Destruction or Taking of a Unit. The parties hereto agree that Lessees shall bear the risk of and, except as hereinafter in this Section 10 provided, shall not be released from Lessees' obligations hereunder in the event of any loss, theft, destruction, damage, requisition, taking, wearing out, obsolescence or nationalization of or to any Unit for any cause whatsoever after the acceptance thereof by Lessees under the Lease. In the event that five days or more before the last day of the applicable Quarterly Rental Period, any such Unit is lost or stolen or is destroyed or has become damaged, worn out, or obsolete beyond economical repair from any cause whatsoever, or shall be requisitioned, taken over or nationalized by any governmental agency under the power of eminent domain or otherwise during the term of this Lease (except for the assumption of the obligations of the Lessees herein originally named by a Reorganized Company), prior to payment in full of the rentals payable pursuant to Section 4 hereof, Lessees shall promptly and fully inform Lessor of the occurrence of the applicable event and shall, on the next quarterly rental payment date after such casualty or other occurrence (or, in the case of a Unit sustaining a casualty occurrence within five days of the end of any Quarterly Rental Period, on the last day of the next succeeding Quarterly Rental Period), pay to Lessor, as liquidated damages

in lieu of any further claim of Lessor hereunder in respect of such Unit (in addition to any rentals and other claims which have accrued hereunder prior to, and remain unpaid on, such last day), the Stipulated Loss Value of such Unit. Upon making payment of such Stipulated Loss Value, plus the amount of such accrued claims (if any), title to such Unit (and/or any compensation, claims or causes of action for such loss, theft, destruction, damage, requisition, taking or nationalization) shall immediately vest in Lessees and such Unit shall no longer be subject to this Lease and the rent for such Unit shall cease to accrue.

If any Unit shall be seized, attached or otherwise arrested while in the territorial limits of any country other than the United States or Canada and such seizure, attachment or arrest shall not have been vacated and the applicable Unit unconditionally released therefrom within 60 days of the initiation of such seizure, attachment or arrest, such Unit shall, upon the expiration of such 60-day period, be deemed, for purposes of this Section 10, to have been "taken" with the effect contemplated by this Section 10.

If Lessees shall fail to make payments to Lessor in respect of any Unit pursuant to the preceding paragraphs of this Section 10, Lessor shall be entitled to the full amount of any compensation, claims and causes of action for any loss, theft, destruction, damage, requisition, taking or nationalization in respect of such Unit. Lessor may apply the proceeds of any such compensation, claim or cause of action in reduction of the amount payable to Lessor pursuant to the preceding paragraphs but Lessees shall not be relieved of their obligations under the preceding paragraphs until such amount is paid in full, together with interest thereon as provided in Section 4 hereof.

SECTION 11. Compliance with Laws and Rules; Indemnification.

The Lessees agree, for the benefit of the Lessor to comply in all respects with all laws of the jurisdictions in which operations involving any Unit subject to this Lease may extend, with the Interchange Rules of the Association of American Railroads, if applicable, and with all lawful rules of the Interstate Commerce Commission, if applicable, the Department of Transportation and any other legislative, executive, administrative or judicial body or officer exercising any power or jurisdiction over any such Unit, to the extent such laws and rules affect the operations or use of such Unit; and the Lessees shall and do hereby indemnify the Lessor and agree to hold the Lessor harmless from and against any and all liability that may arise from any infringement or violation of any such laws or rules by the Lessees, the Lessees' employees or any other person. In the event that such laws or rules require the alteration of the Units, Lessees will conform

therewith, at Lessees' expense, and will maintain the same in proper condition for operation under such laws and rules; provided, however, that Lessees may, in good faith, contest the validity and application of any such law or rules in any reasonable manner which does not, in the opinion of Lessor, adversely affect the property or rights of Lessor as owner hereunder.

Lessees hereby agree to indemnify, reimburse and hold Lessor harmless from any and all claims, demands, suits, judgments, costs, expenses of defense or causes of action for or on account of injury to or death of persons, or loss or damage to property which may result from or grow in any manner out of the control, use or operation of the Units under this Lease whether or not in the possession of Lessees, provided, however, that Lessees do not assume liability in respect of representatives, agents, or employees of Lessor, and provided, further, that Lessor will assign to Lessees any and all claims or causes of action which Lessor may have against third parties in respect of loss or damage to the Units if no Event of Default has occurred and is continuing. Lessees' indemnification hereunder shall include any liability imposed under laws or judicial decisions relating to strict liability in tort.

Lessees will at all times while this Lease is in effect, at its own expense, cause to be carried and maintained public liability insurance in amounts and against risks customarily insured against by railroad companies on similar equipment, and in any event in amounts and against risks comparable to those insured against by Lessees on equipment owned or operated by Lessees. Such insurance shall provide that Lessor shall be named as an additional insured with respect to any loss covered thereunder. All insurance proceeds received by Lessor shall be paid over to Lessees if the Lessees have fully complied with all of Lessees' obligations and indemnifications in respect of the risk insured against for which such proceeds were paid by the insurance company.

SECTION 11A. Investment Tax Credit Indemnification.

(a) It is the intent of the parties to this Lease that the Lessor shall be considered to be the owner and original user of all the Units which are subject to this Lease for all Federal Income tax purposes, that the Lessor shall be entitled to and shall claim an investment tax credit of seven percent (7%) of the Lessor's qualified investment in each Unit (as explained below) in accordance with the provisions of Sections 38 and 46 through 50 of the Internal Revenue Code of 1954, as amended, ("Code"), that the Lessor shall be entitled to claim depreciation with respect to each Unit by any of the depreciation methods provided for by Section 167(b) of the Code, or corresponding

provision of subsequent law; and the Lessees agree that they will at no time take any action or file any document which is inconsistent with the foregoing intent.

(b) If a determination is made by any Federal court decision (including a decision of the United States Tax Court) or by the Internal Revenue Service ("IRS") that, due to any act or omission of the Lessees or due to the use of any Unit "by the United States, any State or political subdivision thereof, any international organization (other than the International Telecommunications Satellite Consortium or any successor organization), or any agency or instrumentality of any of the foregoing" within the meaning of Section 48(a)5 of the Code, the Lessor shall not have or shall lose (by recapture or otherwise) the right to claim, or there shall be disallowed any portion of, the investment tax credit (provided for in Sections 38 and 46 through 50 of the Code, as in effect on the date of this Lease) equal to seven percent (7%) of the Lessor's "qualified investment" (within the meaning of Section 46(c) of the Code and Sections 1.46-3 and 1.1502-3 of the Treasury Income Tax Regulations) (hereinafter called "Qualified Investment") in any Unit, by reason that such Unit is not "new section 38 property" (within the meaning of Section 48(b) of the Code) with respect to the Lessor at the commencement of the Original Term of this Lease with respect to such Unit or by reason that such Unit ceases to be "section 38 property" (within the meaning of Section 48(a) of the Code) with respect to the Lessor, then, if and when such determination becomes a Final Determination, the Lessees shall pay to the Lessor as liquidated damages (for the loss of a bargain and not as a penalty) within thirty (30) days of such Final Determination the amount computed under Section 11A(e) hereof. For the purposes of this Section 11A, any Federal Court decision shall constitute a Final Determination upon the Lessees upon receipt of written notice of such decision from the Lessor, and any IRS determination shall constitute a Final Determination upon the expiration of 60 days from the date of Lessees' receipt of written notice of such IRS determination from the Lessor unless within such 60 days period the tax counsel designated as provided in Section 11A(f) hereof shall have issued to the parties hereto a written opinion to the effect that he does not, on the basis of an evaluation of the relevant law and facts, concur in such IRS determination and the Lessor shall have received from the Lessees a written request that a law suit contesting such IRS determination be commenced in a Federal Court (including the United States Tax Court) selected by Lessor.

(c) The Lessees shall also pay to the Lessor as liquidated damages the amount computed under Section 11A(e) hereof if it is the opinion of the tax counsel designated as provided in Section 11A(f) hereof that due to any act or omission of Lessees or due to the use of any Unit "by the United States,

any State or political subdivision thereof, any international organization (other than the International Telecommunications Satellite Consortium or any successor organization), or any agency or instrumentality of any of the foregoing . . . " within the meaning of Section 48(a)5 of the Code, the Lessor may not reasonably claim an investment tax credit of seven percent (7%) of the Lessor's Qualified Investment in any Unit, or may not reasonably fail to recompute an investment tax credit previously claimed with respect to any Unit, by reason that such Unit is not "new section 38 property" (within the meaning of Section 48(b) of the Code) with respect to the Lessor at the commencement of the Original Term of this Lease with respect to such Unit or by reason that such Unit ceases to be "section 38 property" (within the meaning of Section 48(a) of the Code) with respect to the Lessor. The issuance of the opinion referred to in the preceding sentence of this paragraph shall constitute a Final Determination for all purposes of this Section 11A.

(d) Unless the terms of this Lease or any waiver of the terms hereof specifically provide otherwise by express reference to this Section 11A, the obligation of the Lessees under this Section 11A, to pay liquidated damages under the circumstances provided for herein shall not be reduced or eliminated, except that (1) the Lessees shall be under no obligation to pay such liquidated damages with respect to any Unit for which the Lessees shall have paid the Stipulated Loss Value as provided in Section 10 hereof and (2) the Lessees shall be under no obligation to pay such liquidated damages with respect to any Unit to the extent that the Lessor, or any affiliated group of which the Lessor is a member, would not have obtained a tax benefit from all or any portion of an investment tax credit with respect to such Unit due to the failure of the Lessor, or any affiliated group of which the Lessor is a member, to have sufficient Federal Income Tax liability.

(e) The liquidated damages attributable to any Final Determination provided for in Section 11A(b) and (c) hereof shall be an amount equal to the sum of:

(1) The quotient of (i) the difference between seven percent (7%) of the Lessor's Qualified Investment in the Unit (or the total investment tax credit previously allowed the Lessor if there has been a previous Final Determination with respect to such Unit) and the investment tax credits with respect to the Unit which are allowed to the Lessor (before taking into account any limitation on the amount of such credit based on the Lessor's Federal income tax liability), divided by (ii) that percentage which is the

difference between (A) one hundred percent and (B) the highest effective Federal income tax and/or excess profits tax rate generally applicable to domestic corporations for the taxable year of the Lessor in which such Final Determination is made (including therein the effect of any applicable surtax, surcharge and/or any other Federal tax or charge related to net income or excess profits, or related to any tax on net income or excess profits) (hereinafter referred to as the "Federal Tax Rate"), plus

(2) (i) The amount of any Federal tax penalties attributable to any act or omission of the Lessees required to be paid by the Lessor with respect to such Final Determination divided by that percentage which is the difference between (A) one hundred percent and (B) the Federal Tax Rate and (ii) the amount of any Federal tax deficiency interest applicable to such Final Determination which is required to be paid by the Lessor and is attributable to the period prior to the Lessees' payment to the Lessor of the liquidated damages resulting from such Final Determination.

(f) The tax counsel referred to in this Section 11A shall be such law firm as Lessor and the Lessees shall agree to and designate in writing. However, if the Lessor and Lessees are unwilling or unable to so agree and designate within two weeks after one of them shall have requested the other to do so, such tax counsel shall be such law firm, having an office in New York City and an "a v" rating in the then current edition of the Martindale-Hubbell Law Directory, as the independent certified public accounting firm retained by the Lessees in its discretion shall designate in writing, except that such accounting firm shall not designate any law firm previously proposed hereunder by Lessees. The Lessor and the Lessees shall share equally in any expenses, including fees and disbursements of any such tax counsel so designated for this purpose in Section 11A.

(g) In the event that the Lessor, or the common parent corporation of any affiliated group of which the Lessor is a member, shall commence any law suit in any Federal court (including the United States Tax Court) which, if decided adversely to the Lessor or any such common parent corporation, would obligate the Lessees to pay liquidated damages to the Lessor pursuant to Section 11A(b) hereof then, and in any such event, the Lessor shall within thirty days of the commencement of such law suit advise the Lessees in writing of the commencement of such suit and shall thereafter keep the Lessees informed as to the progress thereof. The Lessor shall use its best efforts to assure the successful prosecution of any such law suit; and Lessees shall use their best efforts to comply with

any reasonable requests made by the Lessor for assistance in the prosecution of such suit. The expenses of conducting any such law suit, including the fees and disbursements of any outside counsel and any other costs incurred by the Lessor or the Lessees which are directly related to such law suit shall be allocated to Lessor and/or to Lessees according to the issues presented in such law suit. As an example, if the issue in such law suit should be the useful life of the Units, such expenses would be borne by Lessees. As a further example, if the issue in such law suit should be that of Lessor's disposition of the Units, such expenses would be borne by Lessor. If Lessor and the Lessees are unable to agree on the incidence of such expenses, the matter shall be submitted to tax counsel designated pursuant to Section 11A(f) for determination, which determination shall be binding on both parties hereto.

(h) In the event a determination of the specific type described in Section 11A(b) hereof shall have been made by the IRS, except that such determination shall not constitute a Final Determination, and in the further event that (1) the Lessor, or the common parent corporation of any affiliated group of which the Lessor is a member, shall have paid to the IRS the amount of any Federal income tax deficiency and statutory interest thereon attributable to such determination and shall have filed with the IRS a claim for refund of such amount, (2) the IRS shall have failed to refund all or any portion of such amount, (3) the Lessor, or any such common parent corporation, shall have commenced a suit in a Federal court for the recovery of the unrefunded portion of such amount, and (4) with respect to such suit such court shall have made a Final Determination as specifically described in Section 11A(b) hereof; then in addition to the liquidated damages applicable to such Final Determination, the Lessees shall pay to the Lessor within thirty days of such Final Determination an amount equal to interest on the unrefundable portion of such amount computed at the rate of six percent per annum from the date of said payment of such amount to the IRS to the date of such Final Determination.

(i) In the event any Federal court (including the United States Tax Court) shall have made a Final Determination as specifically described in Section 11A(b) hereof, the Lessor shall take or cause to be taken such timely action with respect to a judicial appeal from such Final Determination as shall be deemed advisable in the opinion of the tax counsel designated as provided in Section 11A(f) hereof; provided, however, that the Lessee first shall have paid to the Lessor the liquidated damages attributable to such Final Determination and shall have agreed to pay all reasonable costs directly related to such appeal. If such Final Determination shall conclusively be reversed or otherwise conclusively modified as a result of such appeal so that Lessor shall thereby become entitled to all or a portion

of the investment tax credit which such Final Determination would have denied, the Lessor shall forthwith refund to the Lessees all of such liquidated damages or such portion thereof as shall be attributable to the reversal or other modification of such Final Determination, together with interest on the refunded portion thereof computed at the rate of six percent per annum from the date of the Lessees' payment of such liquidated damages to the date of the Lessor's refund of such liquidated damages or any such portion thereof.

(j) Lessor intends to file a request for federal income tax ruling ("Ruling Request") with the IRS for the purpose, among other things, of obtaining a ruling to the effect that (I) Lessor is the owner of the Equipment and (II) Lessor, as such owner, is entitled to claim 7% investment tax credit and to deduct depreciation under the relevant provisions of the Internal Revenue Code. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessees any right, title or interest in the Equipment except as lessees. In addition, nothing contained herein shall be construed as an election by Lessor to treat Lessees as having acquired the Equipment for purposes of the investment credit allowed by Section 38 of the Internal Revenue Code of 1954, as amended, or any successor section to said Section.

SECTION 12. Default. If, during the term of this Lease, one or more of the following events ("Events of Default") shall occur:

(a) Default shall be made in the due and punctual performance when due of any payments obligations of the Lessees under Sections 4, 8 and 10 hereof or any cancellation of the insurance coverage which Lessees are required to effect and maintain pursuant to the provisions of Sections 9(f) and 11 and such default shall continue for five days after the applicable due date or the date of such cancellation, as the case may be;

(b) Lessees shall default in the payment of any amounts when due or in the performance of any obligations pursuant to the provisions of either (i) Lease of Railroad Equipment dated as of April 15, 1970 between Bankers Trust Company, as Trustee for General Electric Credit Corporation, and Penn Central Transportation Company or (ii) Lease of Railroad Equipment dated July 25, 1972 between General Electric Credit Corporation and George P. Baker, Richard C. Bond, Jervis Langdon, Jr. and Willard Wirtz, as trustees, and such failure of payment or performance shall constitute an uncured event of default under said leases; provided, however, that this subparagraph (b) shall be applicable only if all of the Equipment covered by this Lease and the equipment covered by the other leases referred to herein are transferred to one Reorganized Company.

(c) The insurance coverage which Lessees are required to effect and maintain pursuant to the provisions of Sections 9(f) and 11 hereof shall be subject to material adverse modification; provided however, that the event described in this subparagraph shall be a basis for an Event of Default only if such modification (i) shall have been effectuated by Lessees and (ii) is contrary to usual railroad insurance practices and provided further that any event herein described shall have continued for twenty (20) days after written notice by Lessor to Lessees specifying such event;

(d) Lessees shall make or suffer any unauthorized assignment or transfer of this Lease or of possession of the Units or any of them (except for the requisitioning, taking over or nationalizing of any Unit as described in Section 10 of this Lease as to which the Lessees have paid the Stipulated Loss Value as specified in said Section) and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Unit or Units within thirty (30) days after written notice from Lessor to Lessees demanding such cancellation and recovery of possession;

(e) Default shall be made in the observance or performance of any of the covenants, conditions and agreements on the part of Lessees contained herein (other than those specifically enumerated in subparagraphs (a), (b), (c), (d), (f), (g), (h), (i), or (j)) of this Section 12 and such default shall continue for thirty (30) days after written notice from Lessor to Lessees specifying such default and demanding the same to be remedied;

(f) Any material representation made by Lessees herein or hereunder or in any certificate or other instrument delivered under or pursuant to any provision hereof shall prove to have been false or incorrect in any material respect on the date as of which made;

(g) The order, dated July 24, 1973 of the Court in the pending proceedings for the reorganization of the Railroad, authorizing the execution and delivery of this Lease by Lessees and their assumption and undertaking of the obligations, duties and liabilities hereof, shall be reversed, modified, amended or superseded in any material respect which might adversely affect any of the rights, powers, privileges and remedies of Lessor under this Lease and the order effecting such reversal, amendment, modification or superseding of said order shall not have been vacated or set aside or stayed within sixty (60) days from the date of entry thereof;

(h) A plan of reorganization of the Railroad is approved by the Court in the pending proceedings for the reorganization of the Railroad and said

plan does not provide for the assumption by a Reorganized Company of each and every obligation of Lessees under this Lease in form and substance satisfactory to Lessor;

(i) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Reorganized Company, and all the obligations of Lessees under this Lease shall not have been duly assumed by a trustee or trustees appointed in such proceedings as expenses of administration in such proceeding or otherwise given the same status as obligations so assumed by such a trustee or trustees within thirty (30) days after such appointment, if any, or sixty (60) days after such petition shall have been filed, whichever shall be later; or

(j) Any proceedings shall be commenced by or against the Reorganized Company for any relief under any bankruptcy or insolvency laws or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of Lessees' obligations hereunder); and all the obligations of Lessees under this Lease shall not have been duly assumed (as administration expenses in such proceeding) by a trustee or trustees or receiver or receivers appointed for the Reorganized Company or for its property in connection with any such proceedings or otherwise given the same status as obligations so assumed by such a trustee or trustees or receiver or receivers, within thirty (30) days after such appointment, if any, or sixty (60) days after such proceedings shall have been commenced, whichever shall be earlier;

Then, in any such case, Lessor at its option, may

(A) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessees of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(B) by notice in writing to Lessees terminate this Lease, whereupon all right of Lessees to the use of the Units shall absolutely cease and determine as though this Lease had never been made but Lessees shall remain liable as herein provided; and thereupon Lessees shall deliver possession of the Units then subject to this Lease to Lessor in accordance with Section 16 hereof (except to the extent such delivery is impossible because certain Units were requisitioned, taken over or nationalized) and Lessor may by its

agents enter upon the premises of Lessees or other premises where any of the Units may be and take possession of all or any of such Units (damages occasioned by such taking of possession are hereby expressly waived by Lessees) and thenceforth hold, possess and enjoy the same free from any rights of Lessees, or Lessees' successors or assigns to use such Units for any purpose whatever; but Lessor shall nevertheless have a right to recover from Lessees any and all amounts which under the terms of this Lease may be then due or which may become due and unpaid for use of the Units (including rentals accruing on the Units after the date of default) and also to recover forthwith from Lessees (to the extent not recovered pursuant to the foregoing) the following: (1) as damages for loss of the bargain and not as a penalty, a sum, with respect to Units as to which the then current term of this Lease has not expired, which represents the excess of the Stipulated Termination Value of such Units calculated as of the rental payment date of such Units next preceding such termination over the then present worth of the Fair Rental Value of such Units for such unexpired current term plus interest on such excess at the rate specified in the next to last paragraph of Section 4 hereof, commencing on the date of the notice contemplated by this subparagraph (B), such present worth to be computed by discounting the applicable rentals at the rate of 8-1/2% per annum, compounded quarterly from the respective dates upon which such rentals would have been payable hereunder, and (2) any expenses incurred in the retaking, storage, repairing and lease, sale or other disposition, and reasonable attorneys' fees incurred by Lessor, plus an amount equal to accrued taxes and other amounts payable hereunder by Lessees with respect to the Units, and all costs, expenses, losses and damages incurred or sustained by Lessor by reason of such default (together with interest at the rate provided in the next to the last paragraph of Section 4 hereof on each of the foregoing items in this clause (2) and on all sums not paid when due under this Lease).

If on the date of such termination or repossession any Unit is damaged, lost, stolen or destroyed, worn out or obsolete beyond economical repair or subject to requisition, take-over or nationalization by any governmental agency or is subject to any levy, seizure, assignment, application or sale for or by any creditor, Lessees shall also remain liable for payment of the amounts specified in Section 10 hereof.

The remedies in this Lease provided in favor of Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. Lessees hereby waive any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the

fullest extent that such waiver is permitted by law. No delay or omission of Lessor in the exercise of any power or remedy given herein shall be deemed a waiver of such power or remedy. In the event that Lessor shall bring suit and be entitled to judgment hereunder, then Lessor shall be entitled to recover reasonable expenses, including attorneys' fees, and the amount thereof shall be included in such judgment.

SECTION 13. Possession and Use of Units. Unless an Event of Default shall have occurred and be continuing, Lessees shall be entitled to the possession and use of the Units in accordance with the terms of this Lease. Lessees agree, to the fullest extent permitted by law, that Lessees shall not, without the prior written consent of Lessor, assign, transfer or encumber Lessees' leasehold interest under this Lease in any of the Units except to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroad of Lessees or an assignee of Lessees or any other liens authorized by the Court in the proceedings for the reorganization of the Railroad may, but only without affecting Lessor's rights in the Equipment or under this Lease, subject such leasehold interest to the lien thereof and except that Lessees without the consent of Lessor may at any time assign and transfer their leasehold interest in the Units and the possession thereof to any railroad or other corporation which shall have assumed all of the obligations of Lessees under this Lease provided that such assignment and/or transfer shall not relieve Lessees of any obligations hereunder. Lessees agree, to the fullest extent permitted by law, that Lessees shall not, without the prior written consent of Lessor, part with the possession or control of, or suffer or allow to pass out of Lessee's possession or control, either voluntarily, by operation of law or otherwise, any Unit except that Lessees may use the Units on the lines of railroad owned, operated or leased by Lessees, and may use or permit the Units to be used on the lines of other railroads over which railroad equipment of Lessee is regularly operated pursuant to contract, trackage or other operating rights, and in joint facility operations with other carriers and in the usual interchange of rolling stock equipment, if customary at the time, and in the case of any emergency requiring detours or repairs.

Lessor warrants that none of the Units which become subject to this Lease will, as of the date of the leasing with respect thereto, be subject to any security interest therein or lien or encumbrance thereon created or incurred by Lessor. In the event a security interest, consensual lien or other encumbrance should subsequently be granted in any such Unit, Lessor agrees hereby that, so long as Lessees are not in default in the payment of the rentals and other sums due hereunder or otherwise in default in the performance of this Lease, Lessees shall have and quietly enjoy the use and possession of the Units of Equipment, free from disturbance or repossession by Lessor or its officers, agents, employees

or anyone (whether the holder of a lien or security interest or otherwise) claiming through or under Lessor.

SECTION 14. Assignment.

(a) All rights, benefits and advantages of Lessor hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of by Lessor, either in whole or in part, and Lessor may assign, pledge, mortgage, transfer or otherwise dispose of title to the Units, with or without notice to Lessees. No such assignment by Lessor shall subject any assignee to, or relieve Lessor from, any obligation of Lessor hereunder, or affect Lessees' rights hereunder.

(b) Nothing in this Section 14 or in Section 13 above shall be deemed to limit the right of Lessees to assign and transfer Lessees' leasehold interest hereunder in the Units or the possession thereof to a Reorganized Company without the consent of Lessor provided (i) that all the obligations then existing or thereafter to accrue of Lessees under this Lease with respect to all Units of the Equipment then subject to or to become subject to this Lease shall be assumed as a general obligation by such Reorganized Company, (ii) if such Reorganized Company shall be a corporation other than the Railroad, such Reorganized company shall not be a railroad or other corporation with respect to which or with respect to the properties of which there is pending at the time of any contemplated assignment and transfer any proceedings under Section 77 or any other Section or chapter of the Bankruptcy Act or under the insolvency laws of any State, (iii) if such Reorganized Company should be other than a government or governmental agency or political subdivision thereof, such Reorganized Company shall be a railroad so as to entitle Lessor to the rights and protections of Section 77 (j) of the Bankruptcy Act or of similar such laws hereinafter enacted and (iv) no such assignment and transfer made without the consent of Lessor shall release Lessees from any of Lessees' obligations and liabilities (I) under Sections 11 and 11A or (II) as shall have accrued (whether or not then asserted) up to and including the time of such assignment and transfer.

(c) After any assignment and transfer of Lessees' leasehold interest hereunder in the Units and the possession thereof as in subparagraph (b) above permitted, nothing in this Section 14 or in Section 13 above shall be deemed to limit the right of a Reorganized Company, as successor to Lessees, at any time further to assign and transfer its leasehold interest hereunder in the Units and the possession thereof to any successor which shall have assumed all of the obligations hereunder of Lessees and into which or with which such Reorganized Company shall have merged or

or consolidated or which shall have acquired all or substantially all of the property of such Reorganized Company; provided however, that without the consent of Lessor any such transferee shall not be a railroad or other corporation with respect to which or with respect to the properties of which there is pending at the time of any contemplated assignment and transfer any proceedings under Section 77 or any other Section or chapter of the Bankruptcy Act or under the insolvency laws of any State.

(d) The term "Lessees" whenever used in this Lease means George P. Baker, Richard C. Bond, and Jervis Langdon, Jr., Trustees of the property of the Railroad, as well as any successor or additional trustees of such property, before any assignment and transfer of Lessees' leasehold interest hereunder in the Units and the possession thereof to a Reorganized Company as hereinbefore provided in this Section 14 and thereafter shall mean such Reorganized Company.

(e) The liabilities and obligations of said Trustees, George P. Baker, Richard C. Bond, and Jervis Langdon, Jr. as well as of any such successor or additional trustees, under and in respect of this Lease, are the liabilities of such Trustees, or any or all of them, solely as trustees of the property of the Railroad, and not individually. Said Trustees and any successor or additional trustees shall not be relieved of their liabilities or obligations as such Trustees under or in respect of this Lease, except upon any assignment and transfer of Lessees' leasehold interest hereunder in the Units and the possession thereof to a Reorganized Company as hereinbefore provided in this Section 14 and then only to the extent provided in subparagraph (b) hereof.

SECTION 15. Reports; Right to Inspect the Units

(a) During the continuance of this Lease, Lessees agree that Lessees and their agents, employees and representatives will cooperate with Lessor in the investigation and defense of any and all claims by or against Lessor which may arise as a result of the alleged or apparent improper construction, functioning or operation of any of the Units and that they will aid in the recovery of damages from any third parties responsible therefor.

(b) During the continuance of this Lease, Lessees will furnish to Lessor such financial information and data regarding Lessees and the Railroad as Lessor may reasonably request.

(c) During the term hereof, Lessees will furnish to Lessor, on or before April 1 in each year (commencing with the first day of April occurring after the date of this Lease) and on such other dates as Lessor may from time to time reasonably request, an accurate report certified by a duly authorized agent of Lessees or officer of the Railroad stating as of a recent date (not exceeding a date ninety (90) days preceding the date of such report): (i) (w) the Railroad's Road Numbers of the Units then subject to this Lease, (x) the Railroad's Road Numbers of all Units that have become worn out, obsolete, lost, stolen, destroyed, irreparably damaged or rendered permanently unfit for use since the date of the previous report (or since the date hereof in the case of the first such report), (y) the Railroad's Road Numbers of all Units being repaired or awaiting repairs, and (z) the Railroad's Road Numbers of all Units that have been requisitioned, taken over or nationalized by any governmental authority since the date of the previous report (or since the date hereof in the case of the first such report); (ii) that all Units then subject to the Lease (other than those specified in clauses (x), (y) and (z) appearing immediately above) have been maintained in accordance with Section 9 hereof and are fully serviceable; (iii) that the legend placed on the Units as required by Section 7 hereof has been preserved or restored or replaced on each side of each Unit and that Lessees' identifying reporting mark and the appropriate Railroad's Road Numbers have been preserved or restored or replaced on each side of each Unit as required by Section 7 hereof; (iv) that, to the best of Lessees' knowledge, no Event of Default, and no event which with the giving of notice and lapse of time, or both, would constitute an Event of Default, has occurred during the year immediately preceding the date as of which such report is made or, if any such Event of Default or other such event has occurred, specifying the same and the nature and the status thereof; and (v) such other information regarding the location, condition and state of repair of the Units as Lessor may reasonably request.

(d) Lessor, its assignee or both shall have the right, at its sole cost and expense, by its authorized agents, employees or representatives, to inspect the Units and Lessees' records with respect thereto, at such times and from time to time during the continuance of this Lease as may be reasonably necessary to confirm to the satisfaction of Lessor, its assignee or both the existence and proper maintenance of the Units; provided, however, that notwithstanding any contrary provision hereof, Lessees do not assume liability for injury to, or the death of, any agents, employees or representatives of Lessor or other persons while exercising any right of Lessor or its assignee under this Subparagraph (d).

(e) Lessees will provide Lessor or will cause the Railroad to provide to Lessor the following financial information, to be provided as soon as available for distribution annual balance sheets showing the assets and liabilities of the Railroad, annual profit and loss statements and annual statements of the source and application of funds. Such financial statements shall be accompanied by the accountants' report, based on examination, made by the Railroad's or the Lessee's (whichever is appropriate) independent certified public accounting firm.

SECTION 16. Return of Units. Upon the expiration of the term of this Lease with respect to any Unit (whether by its terms, by act of Lessor as herein permitted or otherwise), the title to which shall not have been acquired by Lessees pursuant to the terms hereof, Lessees shall forthwith deliver the possession of such Unit to Lessor. At the time of the return of such Units Lessees shall have complied with all provisions of subsections 9(b) through 9(e), inclusive, hereof. For such purpose, Lessees shall at their own cost and expense forthwith assemble such Unit and place it upon such storage tracks of Lessees as Lessor may designate, or, in the absence of such designation, as Lessees may select, the Lessees shall permit Lessor to store such Unit on such tracks for a period not exceeding one hundred (100) days from the date that all Units are so assembled at the risk of Lessor, and shall at their own cost and expense transport or cause to be transported the same or any thereof, at any time within such one hundred (100) day period, to any place or places on the lines of railroad operated by them or to any connecting carrier for shipment, all as directed by Lessor. The assembling, delivery, storage and transporting of any Unit as hereinabove provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises Lessor shall be entitled to a decree against Lessees requiring Lessees so to assemble, deliver, store and transport such Units.

Without in any way limiting the obligation of Lessees under the foregoing provisions of this Section, Lessees hereby irrevocably appoint Lessor as the agent and attorney of Lessees, with full power and authority, at any time while Lessees are obligated to deliver possession of any Unit to Lessor, to demand and take possession of such Unit in the name and behalf of Lessees from whomsoever shall be at the time in possession of such Unit.

Except as otherwise provided in Section 10 hereof, in the event that any Unit subject to this Lease is not redelivered to Lessor in accordance with the preceding provisions of this Section 16, all of the obligations of Lessees under this Lease with respect to such Unit (including the obligation to pay rentals) shall remain in full force and effect until such Unit is redelivered to Lessor as above provided.

SECTION 17. Purchase Options. Provided (a) that this Lease has not been earlier terminated and (b) no Event of Default has occurred and is continuing, Lessees may, by written notice delivered to Lessor not less than six months prior to the end of the Original Term, elect to purchase the Equipment at the end of the Original Term for a purchase price equal to the Fair Market Value thereof as of the end of the Original Term. Lessees' option to purchase such Units shall be exercisable only as to all (and not less than all) Units of the Equipment.

If, on or before four months prior to the expiration of such Original Term, Lessor and Lessees are unable to agree upon a determination of the Fair Market Value of the Equipment, the Fair Market Value shall be determined by an Appraiser. The determination so made shall be conclusively binding upon both Lessor and Lessees. The expenses and fee of the Appraiser shall be borne by Lessees and Lessor equally.

All sums payable to Lessor by reason of Lessees having exercised Lessees' option to purchase the Equipment pursuant to this Section 17, shall be paid to Lessor in cash on the last day of the Original Term.

SECTION 18. Effect of Certain Representations as to Equipment. The Lessees represent that, except for Units which may be destroyed or damaged beyond economical repair, the Units shall have an estimated useful life of not less than 17 years and shall also have, as of the expiration of the Original Term of this Lease with respect to each Unit, an estimated residual value of not less than 15% of the purchase price paid by the Lessor for such Unit. In the event that such estimated useful life and/or such estimated residual value shall prove to be false or inaccurate and in the further event that a Final Determination, as that term is used in Section 11A(b) hereof, shall conclude that the Lessor shall not be entitled to any investment tax credit with respect to the Units solely because such Units shall not have such estimated useful life and/or such estimated residual value, such inaccuracy or falsity shall, notwithstanding anything to the contrary in Section 11A hereof, constitute for the purposes of Section 11A(b) hereof an "act or omission of the Lessees" for which the Lessees shall be liable for liquidated damages under Section 11A hereof.

SECTION 19. Modification of Lease. This Lease exclusively and completely states the rights of Lessor and Lessees with respect to the Units. No modification, variation, termination, discharge or abandonment hereof and no waiver of any of the provisions or conditions hereof or of any Supplement hereto shall be valid unless in writing and signed

by duly authorized Representatives of Lessor and Lessees, or the successors, transferees or assigns of either, subject, however, to the limitations on assignment hereof by Lessees.

SECTION 20. Section Headings and Certain References. All section headings are inserted for convenience only and shall not affect any construction or interpretation of this Lease. Unless otherwise indicated, all references herein to sections, subsections, clauses and other subdivisions refer to the corresponding sections, subsections, clauses and other subdivisions of this Lease; the words "herein," "hereof," "hereby," "hereto," "hereunder," and words of similar import refer to this Lease as a whole and not to any particular section, subsection, clause or other subdivision hereof.

SECTION 21. Certain Applicable Laws. Any provision hereof prohibited by or unlawful or unenforceable under any applicable law of any jurisdiction shall as to such jurisdiction be ineffective without modifying the remaining provisions of this Lease. Where, however, the provisions of any such applicable law may be waived, they are hereby waived by Lessees to the fullest extent permitted by law, to the end that this Lease shall be deemed to be a valid and binding agreement enforceable in accordance with its terms.

SECTION 22. Computations. Computations hereunder involving the determination of interest or discount shall be made on the basis of a 360-day year of twelve 30-day months.

SECTION 23. Notices. All demands, notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when personally delivered or delivered to a United States post office, first-class postage prepaid, or to a telegraph office, charges prepaid, addressed as follows:

If to Lessees:

Trustees of the Property of
Penn Central Transportation Company, Debtor
Room 1334, Six Penn Center Plaza
Philadelphia, Pennsylvania 19104

Attention: Treasurer

If to Lessor:

General Electric Credit Corporation
P. O. Box 81 North Station
White Plains, New York 10603

Attention: Loan Officer

with a copy to:

General Electric Credit Corporation
P. O. Box 8300
Stamford, Connecticut 06904

Attention: Manager - Operations

or to such other addresses as may hereafter be furnished in writing by either party to the other.

SECTION 24. Governing Law. The provisions of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of New York.

SECTION 25. Successors and Assigns. Subject to the provisions of Sections 13 and 14 hereof, this Lease shall be binding upon and shall inure to the benefit of Lessor and Lessees and their respective successors and assigns, and no other persons shall have or acquire any right under or by virtue of this Lease.

SECTION 26. Execution In Counterparts. This Lease may be executed simultaneously in several counterparts, each of which so executed shall be deemed to be an original, and all such counterparts together shall constitute but one of the same instrument.

SECTION 27. Recording. Lessees, without expense to Lessor, will cause this Lease and all amendments, supplements and assignments hereto or hereof and thereto or thereof, to be duly filed and recorded and re-filed and re-recorded with the Interstate Commerce Commission in accordance

with Section 20c of the Interstate Commerce Act and this Lease to be deposited with the Registrar General of Canada in accordance with Section 86 of the Railway Act (a notice of such deposit to be given in the "Canada Gazette" pursuant to said Section 86). Lessees will promptly furnish to Lessor certificates or other evidences of such filing and re-recording and re-filing and re-recording and an opinion of an attorney reasonably satisfactory to Lessor with respect thereto. In addition, Lessees shall do and perform all such other acts as may be required by law, or reasonably requested by Lessor, for the protection of Lessor's title to and interest in the Units.

SECTION 28. Other Equipment Leases and Secured Obligations.

Lessees agree that, during the continuance of this Lease, Lessees will not assume or enter into any other leases of rolling stock equipment trust agreements, conditional sales agreements or other liabilities or obligations in connection with the leasing or financing of the acquisition of rolling stock (i) if such liabilities or obligations would be entitled, directly or indirectly, to any priority in right of payment over the obligations of Lessees under this Lease or (ii) if such liabilities or obligations would be secured, directly or indirectly, by any mortgage, lien or other security interest in property of the Railroad or Lessees (except the rolling stock or other property involved in the particular transaction) unless the obligations of Lessees under this Lease are given the same priority and are equally and ratably secured thereby.

SECTION 29. Business Day. In the event any rental or other payment due hereunder shall be due and payable, or if any report or other performance hereunder shall be due, on a date other than a Business Day, such payment, report or performance shall be discharged on the first Business Day thereafter.

IN WITNESS WHEREOF, Lessor has caused this Lease to be duly executed by one of its Representatives thereunto duly authorized and to be duly attested, and Lessees have caused this Lease to be executed on their behalf by one of their representatives thereunto duly authorized, all on the day and year first above written.

GENERAL ELECTRIC CREDIT CORPORATION

By John F. Duncan
VICE PRESIDENT

ATTEST:

Charles Winter
Attesting Secretary

GEORGE P. BAKER, RICHARD C. BOND and
JERVIS LANGDON, JR. TRUSTEES OF THE
PROPERTY OF PENN CENTRAL TRANSPORTATION
COMPANY, DEBTOR

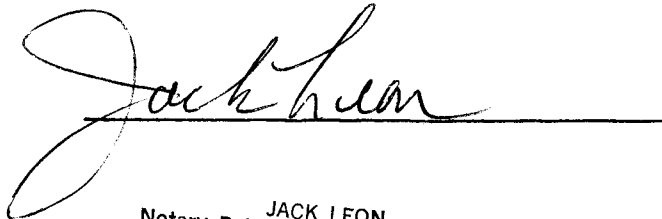
By W. D. Irvine

WITNESS:

W. C. Halpp
ASSISTANT SECRETARY

STATE OF CONNECTICUT,)
)
COUNTY OF FAIRFIELD,) ss.:

On this 13 th day of AUGUST, 1973 before me
personally appeared JOHN F. DUNCAN to me
personally known, who, being by me duly sworn, says that he is the
VICE PRESIDENT for Leasing & Industrial Loan
Financing of GENERAL ELECTRIC CREDIT CORPORATION; that as such
Vice President being authorized so to do, he acknowledged the execution
and delivery of the foregoing Lease of Railroad Equipment on this day by
and on behalf of said corporation.


JACK LEON
Notary Public, State of Connecticut
Commission Expires March 30, 1978

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
CITY AND COUNTY OF PHILADELPHIA)

On this 10 th day of August, 1973 before me personally appeared W. R. DINE to me personally known, who, being by me duly sworn, said that he is VICE PRESIDENT of the Trustees of the property of PENN CENTRAL TRANSPORTATION COMPANY, Debtor, that the foregoing instrument was signed by him on this day on behalf of and by authority of the Trustees of the property of Penn Central Transportation Company, Debtor, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Trustees.

Paul J. MacIntyre

PAUL T. HARRIS, JR.

My Commission Expires: 01/01/1976

ANNEX A
to
LEASE OF RAILROAD EQUIPMENT

DESCRIPTION OF THE UNITS CONSTITUTING
THE EQUIPMENT

<u>Model</u>	<u>Description</u>	<u>Quantity</u>	Builder's Serial Number (If <u>Applicable</u>)	<u>Railroad's</u> Road <u>Number</u>	Est. Date of <u>Delivery</u>	Est. Unit Price of <u>Equipment</u>
U-23-B	2250 H.P. 4 Axle, Diesel- Electric Road Switching Locomotive	27	39305 to 39331 both inclusive	2750 to 2776 both inclusive	August through October 1973	\$282,243

ANNEX B to
LEASE OF RAILROAD EQUIPMENT

CERTIFICATE OF ACCEPTANCE
UNDER LEASE OF RAILROAD EQUIPMENT

To: General Electric Credit Corporation

A. I, duly appointed inspector and authorized representative of George P. Baker, Richard C. Bond, and Jervis Langdon, Jr., Trustees of the property of Penn Central Transportation Company, Debtor, (herein "Lessees"), for the purposes of the Lease of Railroad Equipment dated as of _____, 1973, between General Electric Credit Corporation (herein "Lessor"), and Lessees, do hereby certify that I have inspected, received, approved and accepted delivery on behalf of Lessees and under said Lease of Railroad Equipment, of the following units of railroad locomotives:

<u>Model</u>	<u>Description</u>	<u>Quantity</u>	Builder's <u>Serial</u> <u>Number</u>	Railroad's <u>Road</u> <u>Number</u>
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B. Undersigned further acknowledges that the following legend appeared plainly, distinctly, permanently and conspicuously upon each side of such Unit(s) in letters not less than one inch in height:

General Electric Credit Corporation (New York,
New York) Owner and Lessor

C. I do further certify that (1) the foregoing locomotive(s) are new locomotive(s) in good order and condition and comply fully with the Lessees' specifications with respect thereto and (2) by execution of this Certificate of Acceptance each of the locomotives described above constitute Units of Equipment pursuant to said Lease of Railroad Equipment.

D. The date of this Certificate of Acceptance, which is deemed hereby to be the Date of Acceptance (as defined and provided in said Lease of Railroad Equipment) as to the locomotive(s) herein, is
1973.

E. Execution of this Certificate of Acceptance on behalf of Lessor and Lessees shall in no way diminish or affect the warranty obligations of General Electric Company as builder of the Unit(s).

Inspector and Authorized Representative
of George P. Baker, Richard C. Bond,
and Jervis Langdon, Jr., Trustees of the
property of Penn Central Transportation
Company, Debtor.

CERTIFICATE OF LESSOR'S ACCEPTANCE
OF RAILROAD EQUIPMENT

Undersigned, acting on behalf of General Electric Credit Corporation (Lessor under the Lease of Railroad Equipment identified in the foregoing Certificate of Acceptance) does hereby acknowledge delivery of and does accept hereby the Units described above for purposes of the Purchase Agreement Assignment (as said terms are defined in said Lease of Railroad Equipment.)

GENERAL ELECTRIC CREDIT CORPORATION

By _____
Authorized Representative

ANNEX C
to
LEASE OF RAILROAD EQUIPMENT

The Stipulated Loss Value and the Stipulated Termination Value applicable to each Unit as of any quarterly rental payment date shall be that percentage of the purchase price paid by Lessor for such Unit as is set forth in the following schedule opposite the number of such quarterly rental payments date. The percentages assume that the rental due on such quarterly rental payment date shall have been paid. The percentages shown opposite "0" are applicable from the Date of Acceptance of each Unit, respectively, until the payment of the first quarterly rental payment.

<u>Payment Number</u>	<u>Stipulated Loss Value Percentage</u>	<u>Stipulated Termination Value Percentage</u>
0	103.15	103.07
1	103.12	103.04
2	103.29	103.01
3	103.40	102.98
4	103.50	102.81
5	103.43	102.68
6	103.35	102.53
7	103.22	102.32
8	103.02	102.06
9	102.78	101.79
10	102.47	101.36
11	102.11	101.10
12	101.70	99.87
13	98.29	95.82
14	97.76	95.33
15	97.19	94.61
16	96.55	93.90
17	95.87	93.10
18	95.13	92.20
19	94.34	91.28
20	93.50	90.30
21	89.66	83.48
22	88.71	83.27
23	87.72	82.33
24	86.67	81.10
25	85.57	79.79
26	84.42	78.42
27	83.23	77.03
28	81.99	75.41
29	77.75	69.54
30	76.41	68.01
31	74.72	66.41
32	73.58	64.72
33	72.10	63.10

<u>Payment Number</u>	<u>Stipulated Loss Value Percentage</u>	<u>Stipulated Termination Value Percentage</u>
34	70.57	61.40
35	69.00	59.51
36	67.38	57.74
37	65.72	55.88
38	64.01	53.98
39	62.28	52.06
40	60.51	50.05
41	58.71	48.06
42	56.87	46.13
43	55.00	43.98
44	53.10	41.85
45	51.16	39.69
46	49.19	37.60
47	47.18	35.29
48	45.13	33.01
49	43.05	30.55
50	40.93	28.51
51	38.77	26.02
52	36.57	23.67
53	34.33	21.18
54	32.05	18.73
55	29.73	16.19
56	27.37	13.61
57	24.97	10.98
58	22.52	8.31
59	20.03	5.60
60	17.50	2.78
Thereafter	15.00	0